

REP. SPENCER BACHUS
OPENING STATEMENT FOR HEARING ON H.R. 758, THE
BUSINESS CHECKING FREEDOM ACT AND H.R. 859, THE
BUSINESS CHECKING FREEDOM ACT

This hearing of the Subcommittee on Financial Institutions and Consumer Credit will come to order.

The Subcommittee meets today to consider two bills introduced by highly respected Members of the Subcommittee – H.R. 758, the Business Checking Freedom Act introduced by Mrs. Kelly and Mrs. Maloney, and H.R. 859, the Business Checking Freedom Act, which Mr. Toomey has introduced along with Mr. Kanjorski.

Both bills represent important “next steps” for this Committee as we continue the work of modernizing our Nation’s financial system. For as historic an accomplishment as the Gramm-Leach-Bliley Act was, much remains to be done to bring our financial services industry into the 21st century.

Current law does not permit depository institutions to pay interest on business checking accounts, nor does it allow the Federal Reserve to pay interest to depository institutions on reserve balances that they are required to maintain at the Federal Reserve. Neither of these statutory restrictions makes much sense in a highly competitive financial marketplace where banks must compete for deposits not merely against each other, but against a host of non-bank financial firms offering a wide range of interest-bearing products.

H.R. 758, Mrs. Kelly’s bill, authorizes the Federal Reserve to pay interest on the reserves that depository institutions maintain at Federal Reserve Banks. The legislation also eliminates the minimum statutory ratios that currently apply to such reserves, thereby giving the Federal Reserve Board greater flexibility in setting reserve requirements. Finally, the bill increases the number of allowable transfers from money market deposit accounts to 24 per month, from the current limit of six, enabling depository institutions to sweep funds between non-interest-bearing commercial checking accounts and interest-bearing accounts on a daily basis.

Mr. Toomey’s bill, H.R. 859, is a straightforward piece of legislation that repeals the prohibition on the payment of interest on business demand deposits, effective one year after the date of enactment.

Last year, the full Committee favorably reported bills substantially similar to the proposals we will consider today. Indeed, legislation repealing the

prohibition on interest payments on business checking accounts passed the House twice during the 107th Congress, but died in the Senate.

It would be my hope that we could move expeditiously in this Congress to complete the unfinished business of the last, by holding a hearing on these common-sense measures today and sending them on to the full Committee for its consideration next week.

Let me close by extending a warm welcome to Federal Reserve Governor Donald Kohn and Treasury Assistant Secretary of Financial Institutions Wayne Abernathy, both of whom will be testifying before this Committee for the first time. We look forward to hearing your testimony today and working with you in the future.

Let me now recognize the ranking Member, Mr. Sanders, for any opening statement he might wish to make.